
HEALTH CARE CENTERS IN SCHOOLS, INC.**FINANCIAL STATEMENTS****JUNE 30, 2010**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 3/2/11

HEALTH CARE CENTERS IN SCHOOLS, INC.

FINANCIAL STATEMENTS

JUNE 30, 2010

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Health Care Centers in Schools, Inc.
Baton Rouge, Louisiana

We have audited the accompanying statements of financial position of Health Care Centers in Schools, Inc. (a not-for-profit organization) as of June 30, 2010 and 2009, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Health Care Centers in Schools, Inc. as of June 30, 2010 and 2009, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Organization will continue as a going concern. As discussed in note 3 to the financial statements, the Organization incurred losses for the past two years and has a deficiency in its net assets that raises substantial doubt about its ability to continue as a going concern. Management's plans regarding these matters are also described in note 3. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 29, 2010 on our consideration of the Organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Postlethwaite & Netterville

Baton Rouge, Louisiana
December 29, 2010

HEALTH CARE CENTERS IN SCHOOLS, INC.
BATON ROUGE, LOUISIANA

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2010 AND 2009

ASSETS

	<u>2010</u>	<u>(as restated) 2009</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 78,484	\$ -
Cash and cash equivalents - restricted	65,861	68,943
Receivables	68,648	161,134
Prepaid insurance and other current assets	79,201	27,663
Total current assets	<u>292,194</u>	<u>257,740</u>
<u>FURNITURE AND EQUIPMENT, NET</u>		
Furniture and equipment, net	<u>128,448</u>	<u>115,990</u>
	<u>128,448</u>	<u>115,990</u>
Total assets	<u>\$ 420,642</u>	<u>\$ 373,730</u>

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES</u>		
Outstanding checks in excess of bank balances	\$ -	\$ 23,133
Line-of-credit	525,000	450,000
Accounts payable	115,337	18,918
Accrued salaries and payroll liabilities	187,463	138,369
Due to the Louisiana Assembly on School Based Health Care	65,861	68,943
Total current liabilities	<u>893,661</u>	<u>699,363</u>
<u>NET ASSETS</u>		
Unrestricted	(473,019)	(475,391)
Temporarily restricted	-	149,758
Total net assets	<u>(473,019)</u>	<u>(325,633)</u>
Total liabilities and net assets	<u>\$ 420,642</u>	<u>\$ 373,730</u>

The accompanying notes are an integral part of these financial statements.

HEALTH CARE CENTERS IN SCHOOLS, INC.
BATON ROUGE, LOUISIANA

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010		
	Unrestricted	Temporarily Restricted	Total
<u>SUPPORT AND REVENUE</u>			
Office of Public Health	\$ 1,113,094	\$ -	\$ 1,113,094
East Baton Rouge Parish School Board	1,739,793	-	1,739,793
Exceptional Student Services	-	412,452	412,452
Medicaid	355,762	-	355,762
Contributions and donated services	213,865	-	213,865
Baton Rouge Area Foundation	-	105,000	105,000
Our Lady of the Lake - flu vaccination	-	128,099	128,099
Amedisys	50,000	-	50,000
Cajun Construction	50,000	-	50,000
Amicares	-	20,000	20,000
Pennington Foundation	-	100,000	100,000
Other revenues and grants	101,379	186,779	288,158
	<u>3,623,893</u>	<u>952,330</u>	<u>4,576,223</u>
Net assets released from restrictions	1,102,088	(1,102,088)	-
Total support and revenue	<u>4,725,981</u>	<u>(149,758)</u>	<u>4,576,223</u>
 <u>PROGRAM SERVICE EXPENSES</u>			
Salaries and benefits	3,530,439	-	3,530,439
Professional fees	381,963	-	381,963
Contractual services	-	-	-
Medical supplies	44,174	-	44,174
Office supplies	19,435	-	19,435
Health education	-	-	-
Equipment and maintenance	69,633	-	69,633
Insurance	89,930	-	89,930
Interest	22,845	-	22,845
Depreciation	43,774	-	43,774
Travel and meetings	35,621	-	35,621
Other	68,945	-	68,945
Total program service expenses	<u>4,306,759</u>	<u>-</u>	<u>4,306,759</u>

The accompanying notes are an integral part of these financial statements.

2009 (as restated)

Unrestricted	Temporarily Restricted	Total
\$ 1,147,624	\$ -	\$ 1,147,624
1,700,063	-	1,700,063
-	383,220	383,220
69,993	-	69,993
137,660	150,000	287,660
-	50,000	50,000
-	75,000	75,000
-	-	-
-	-	-
-	20,000	20,000
-	-	-
36	91,000	91,036
3,055,376	769,220	3,824,596
780,195	(780,195)	-
3,835,571	(10,975)	3,824,596
3,146,298	-	3,146,298
181,987	-	181,987
6,177	-	6,177
114,972	-	114,972
12,581	-	12,581
596	-	596
54,940	-	54,940
58,023	-	58,023
9,441	-	9,441
38,413	-	38,413
30,002	-	30,002
67,173	-	67,173
3,720,603	-	3,720,603

HEALTH CARE CENTERS IN SCHOOLS, INC.
BATON ROUGE, LOUISIANA

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010		
	Unrestricted	Temporarily Restricted	Total
<u>SUPPORT SERVICE EXPENSES</u>			
Salaries and benefits	\$ 325,696	\$ -	\$ 325,696
Professional fees	24,052	-	24,052
Office supplies	2,160	-	2,160
Travel and meetings	1,082	-	1,082
Other	-	-	-
Total support service expenses	352,990	-	352,990
 <u>FUNDRAISING EXPENSES</u>			
Fundraising expenses	63,860	-	63,860
Total fundraising expenses	63,860	-	63,860
 Total expenses	4,723,609	-	4,723,609
 <u>CHANGE IN NET ASSETS</u>	2,372	(149,758)	(147,386)
Net assets - beginning of year (as restated)	(475,391)	149,758	(325,633)
 <u>Net assets - end of year</u>	<u>\$ (473,019)</u>	<u>\$ -</u>	<u>\$ (473,019)</u>

The accompanying notes are an integral part of these financial statements.

2009 (as restated)		
Unrestricted	Temporarily Restricted	Total
\$ 334,144	\$ -	\$ 334,144
50,205	-	50,205
1,398	-	1,398
1,470	-	1,470
5,460	-	5,460
<u>392,677</u>	<u>-</u>	<u>392,677</u>
205,923	-	205,923
<u>205,923</u>	<u>-</u>	<u>205,923</u>
4,319,203	-	4,319,203
(483,632)	(10,975)	(494,607)
<u>8,241</u>	<u>160,733</u>	<u>168,974</u>
<u>\$ (475,391)</u>	<u>\$ 149,758</u>	<u>\$ (325,633)</u>

HEALTH CARE CENTERS IN SCHOOLS, INC.
BATON ROUGE, LOUISIANA

STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010			
	Program Service Expenses	Support Service Expenses	Fundraising Expenses	Total
Salaries and benefits	\$ 3,530,439	\$ 325,696	\$ -	\$ 3,856,135
Professional fees	381,963	24,052	-	406,015
Contractual services	-	-	-	-
Medical supplies	44,174	-	-	44,174
Office supplies	19,435	2,160	-	21,595
Health education	-	-	-	-
Repairs and maintenance	69,633	-	-	69,633
Insurance	89,930	-	-	89,930
Interest	22,845	-	-	22,845
Depreciation	43,774	-	-	43,774
Travel and meetings	35,621	1,082	-	36,703
Other	68,945	-	-	68,945
Total expenses	<u>\$ 4,306,759</u>	<u>\$ 352,990</u>	<u>\$ -</u>	<u>\$ 4,659,749</u>

The accompanying notes are an integral part of these financial statements.

2009

Program Service Expenses	Support Service Expenses	Fundraising Expenses	Total
\$ 3,146,298	\$ 334,144	\$ 55,500	\$ 3,535,942
181,987	50,205	150,330	382,522
6,177	-	-	6,177
114,972	-	-	114,972
12,581	1,398	-	13,979
596	-	-	596
54,940	-	-	54,940
58,023	-	-	58,023
9,441	-	-	9,441
38,413	-	-	38,413
30,002	1,470	93	31,565
67,173	5,460	-	72,633
<u>\$ 3,720,603</u>	<u>\$ 392,677</u>	<u>\$ 205,923</u>	<u>\$ 4,319,203</u>

HEALTH CARE CENTERS IN SCHOOLS, INC.
BATON ROUGE, LOUISIANA

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010	(as restated) 2009
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ (147,386)	\$ (494,607)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	43,774	38,413
Change in accounts receivable	92,486	160,659
Changes in accounts payable	93,337	(9,006)
Change in accrued salaries and payroll liabilities	49,094	13,752
Change in prepaid insurance, inventory, and other current assets	(51,538)	8,013
Net cash provided by (used in) operating activities	<u>79,767</u>	<u>(282,776)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Acquisitions of furniture and equipment	(56,232)	(4,505)
Net cash used in investing activities	<u>(56,232)</u>	<u>(4,505)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Net increase (decrease) in outstanding checks in excess of bank balance	(23,133)	23,133
Net advances on lines of credit	75,000	275,000
Net cash provided by financing activities	<u>51,867</u>	<u>298,133</u>
 Net increase in cash and cash equivalents	 75,402	 10,852
 Cash and cash equivalents - beginning of year	 <u>68,943</u>	 <u>58,091</u>
 Cash and cash equivalents - end of year	 <u>\$ 144,345</u>	 <u>\$ 68,943</u>
 <u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</u>		
Cash paid during the year for interest	<u>\$ 22,845</u>	<u>\$ 9,441</u>

The accompanying notes are an integral part of these financial statements.

HEALTH CARE CENTERS IN SCHOOLS, INC.
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. **The Organization**

Health Care Centers in Schools, Inc. (the Organization) is a private not-for-profit organization located in Baton Rouge, Louisiana. The Organization was created in an effort to provide comprehensive health care services to students in need at local schools. The Organization links education with physical and emotional health care to promote the overall well-being of the students. The Organization fulfills its objectives by operating clinics at several of the local schools and by coordinating the school nurse program for the East Baton Rouge Parish School Board. These programs are funded by grants received from the State of Louisiana Office of Public Health and various other revenues.

2. **Summary of significant accounting policies**

The accounting and reporting policies of the Organization conform to the accounting principles generally accepted in the United States of America. The significant accounting policies used by the Organization in preparing and presenting its financial statements are summarized as follows:

Basis of presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization did not have any permanently restricted net assets at June 30, 2010 or 2009.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Accounts receivable

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end and are determined to be past due on the contractual terms of the agreement. Based on management's assessment of such amounts, it has concluded that realization losses, if any, on balances outstanding at year end will be immaterial.

Inventory

Inventory consists primarily of medical supplies and is stated at the lower of cost (first-in, first-out method) or market.

HEALTH CARE CENTERS IN SCHOOLS, INC.
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

2. Summary of significant accounting policies (continued)

Furniture and equipment

Furniture and equipment are stated at historical cost. Donated property is recorded at its fair value on the date of receipt, which is then treated as cost. Additions, renewals, and betterments that extend the lives of assets are capitalized. Maintenance and repair expenditures are expensed as incurred.

Depreciation has been calculated using the straight-line method over the estimated useful lives of the related assets, which range from 5 to 7 years.

Temporarily and permanently restricted net assets

Temporarily restricted net assets are those whose use by the Organization has been limited by donors to a specific time or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Organization in perpetuity. The Organization does not have any permanently restricted net assets.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Grants receive the same accounting treatment as contributions, if the grant activity is to be planned and carried out by the Organization and the Organization has the right to the benefits of carrying out the activity.

Donated services

The Organization recognizes revenue for certain services received at the estimated fair value of those services, provided those services create or enhance non-financial assets or require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased, if not provided by donation. The value of donated services was calculated based on the total compensation package of the individuals volunteering their time, and totalled approximately \$194,000 and \$100,000 for the years ended June 30, 2010 and 2009, respectively.

Expense allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services based on records and estimates made by the Organization's management.

HEALTH CARE CENTERS IN SCHOOLS, INC.
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

2. **Summary of significant accounting policies (continued)**

Statements of cash flows

For purposes of cash flow presentation, the Organization considers cash in operating bank accounts, cash on hand, and all short-term instruments having original maturities of three months or less to be cash and cash equivalents.

Income taxes

The Organization is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes on related income pursuant to Section 501(a) of the Internal Revenue Code. Accordingly, no provision for income taxes has been included in the financial statements.

The Organization adopted the recent accounting guidance related to accounting for uncertainty in income taxes, which sets out a consistent framework to determine the appropriate level of tax reserves to maintain for uncertain tax positions. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50 percent likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances, and information available at the reporting date and is subject to management's judgment. Changes in the recognition or measurement are reflected in the period in which the change in judgment occurs. The Organization has evaluated its position regarding the accounting for uncertain income tax positions and does not believe that it has any material uncertain tax positions.

With few exceptions, the statute of limitations for the examination of the Organization's income tax returns is generally 3 years from the due date of the tax return including extensions. The tax years open for assessment are the years ending on or after June 30, 2007.

Reclassifications

Certain amounts on the 2009 financial statements have been reclassified to conform with the 2010 financial statement presentation.

Recent accounting pronouncements

Effective July 1, 2009, the Organization adopted the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) as the single source of authoritative accounting principles generally accepted in the United States of America (U.S. GAAP). All guidance in the Codification carries an equal level of authority. After the effective date of the Codification, all nongrandfathered accounting literature not included in the Codification is superseded and deemed nonauthoritative. FASB will issue Accounting Standards Updates (ASUs), which will serve to update FASB ASC, provide background information about the guidance and provide the basis for conclusions on the changes to FASB ASC. FASB ASC is not intended to change U.S. GAAP.

HEALTH CARE CENTERS IN SCHOOLS, INC.
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

3. Liquidity

As shown in the accompanying financial statements, the Organization had current liabilities in excess of its current assets by approximately \$600,000 at June 30, 2010, incurred losses of approximately \$147,000 and \$494,000 for the years ended June 30, 2010 and 2009, respectively, and had negative cash flows from operations of approximately \$280,000 and \$300,000 for the years ended June 30, 2009 and 2008, respectively.

Management has established a line-of-credit with a financial institution (see note 5) to provide for operational flexibility on a short-term basis in an effort to insure that it can pay all of its obligations as they become due. Management also continues to search for additional sources of revenues, specifically contributions and grants that include reimbursement for administrative and overhead costs.

4. Furniture and equipment

Furniture and equipment consisted of the following at June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Computer equipment	\$ 176,200	\$ 164,633
Medical equipment	45,621	41,617
Office equipment	<u>80,775</u>	<u>40,115</u>
	302,596	246,365
Less: accumulated depreciation	<u>(174,148)</u>	<u>(130,375)</u>
Property and equipment, net	<u>\$ 128,448</u>	<u>\$ 115,990</u>

5. Line-of-credit

During the year ended June 30, 2009, the Organization established a \$450,000 line-of-credit with a regional financial institution. The outstanding balance on this line-of-credit was \$450,000 at June 30, 2009, was accruing interest at a variable rate based on prime (5.25% at June 30, 2009), and was scheduled to mature on July 31, 2009.

During the year ended June 30, 2010, the financial institution increased the amount available to the Organization under this agreement to \$525,000, the outstanding balance at June 30, 2010. This line of credit accrued interest at a variable rate based on prime (5.25% at June 30, 2010), and matured on September 27, 2010. This line-of-credit was secured by all of the accounts of the Organization and was due on demand.

On September 28, 2010, the Organization renewed the line-of-credit agreement in the amount of \$525,000 for an additional twelve months. The new line-of-credit bears interest at the same variable rate, is due on demand, and is secured by the Organization's accounts receivable and deposit accounts.

As part of the line-of-credit agreements, the Organization has agreed to comply with certain covenants, including reporting requirements, restrictions on additional debt and security interests, coverage ratios, and other administrative requirements. The Organization was not in compliance with its debt service coverage ratio as of June 30, 2010.

HEALTH CARE CENTERS IN SCHOOLS, INC.
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

6. Temporarily restricted net assets

Temporarily restricted net assets were available for the following purposes at June 30, 2009:

Baton Rouge Area Foundation - school renovations	\$ 21,750
Blue Cross Blue Shield - expansion	50,000
Baton Rouge Area Foundation - Drama Teens	170
Baton Rouge Area Foundation - expansion	50,000
Exceptional Students Program	23,010
MACRO Vision	4,368
Tobacco Free Living	460
	<u>\$ 149,758</u>

All donor restrictions had been satisfied by June 30, 2010.

7. Net assets released from restrictions

Net assets which were released from donor restrictions by incurring program related expenses satisfying the restricted purposes were as follows for the years ended June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Americares - mental health	\$ 20,000	\$ 73,861
Baton Rouge Area Foundation - social workers	-	28,938
Baton Rouge Area Foundation - capital campaign	105,000	-
Baton Rouge Area Foundation - electronic medical records	-	16,368
Baton Rouge Area Foundation - school renovations	21,750	-
Baton Rouge Area Foundation - expansion	50,000	-
Blue Cross Blue Shield - electronic medical records	-	28,400
Blue Cross Blue Shield - expansion	50,000	-
Baton Rouge Area Foundation - drama teens	170	8,671
Capital Campaign - additional healthcare centers	-	151,750
Children's Trust Fund	-	7,500
Coca Cola - expansion	10,000	-
EEHealth Premium Assistance	12,000	-
Exceptional Student Services	435,462	360,210
H1N1 Grant	18,279	-
MACRO Vision	5,868	4,132
MidSouth - school nurses	30,000	-
Montron - expansion / equipment	10,000	-
Our Lady of the Lake - flu vaccine	128,099	75,000
Pennington - expansion	100,000	-
R. Moser - expansion	55,000	-
Robert Wood Johnson Foundation - medical records	-	5,823
Wilson Foundation - expansion	50,000	-
Tobacco Free Living	460	19,542
	<u>\$ 1,102,088</u>	<u>\$ 780,195</u>

HEALTH CARE CENTERS IN SCHOOLS, INC.
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

8. Concentration of revenues

The Organization receives a large amount of its revenues from two major sources - the State of Louisiana Office of Public Health and the East Baton Rouge Parish School Board. The revenues from these two sources represented approximately 70% and 80% of the Organization's total revenues during the years ended June 30, 2010 and 2009, respectively.

9. Leases

During the year ended June 30, 2010, the Organization entered into a lease agreement for its administrative offices. The lease is for a term of 36 months and began on April 1, 2010. The lease agreement requires monthly payments ranging from \$2,833 to \$3,850 through its termination on March 31, 2013. Future minimum lease payments required for this agreement were as follows at June 30, 2010:

<u>Year ending</u> <u>June 30,</u>	<u>Amount</u>
2011	\$ 36,225
2012	43,725
2013	<u>34,650</u>
	<u>\$ 114,600</u>

Rent expense totaled \$15,125 and \$7,200 for the years ended June 30, 2010 and 2009, respectively.

10. Concentration of credit risk

The Organization maintains several accounts at local financial institutions. The balances, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) insured limits. Management believes the credit risk associated with these deposits is minimal.

11. Subsequent events

Management has evaluated subsequent events through December 29, 2010, the date that the financial statements were available to issued, and determined that no additional disclosures are necessary. No events occurring after this date have been evaluated for inclusion in these financial statements.

12. Prior period adjustment

During the year ended June 30, 2010, the Organization realized that it had used the incorrect number of student encounters when it calculated the amounts due from the State of Louisiana for hearing and vision screenings as well as nurse consultations. As a result of this error, the revenues and receivables as of and for the year ended June 30, 2009, were overstated by \$274,903. The balances in the current year financial statements as of and for the year ended June 30, 2009, have been restated to reflect this adjustment; consequently, unrestricted net assets at June 30, 2009, are \$274,903 lower than previously reported.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
Health Care Centers in Schools, Inc.
Baton Rouge, Louisiana

We have audited the financial statements of Health Care Centers in Schools, Inc. (the Organization) as of and for the year ended June 30, 2010, and have issued our report thereon dated December 29, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Organization's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors and management of Health Care Centers in Schools, Inc., federal and state awarding agencies, and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Portlathwaite: Netterville

Baton Rouge, Louisiana
December 29, 2010

HEALTH CARE CENTERS IN SCHOOLS, INC.
BATON ROUGE, LOUISIANA

SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

A. Summary of audit results:

- (1) The independent auditors' report express an unqualified opinion on the financial statements of Health Care Centers in Schools, Inc. as of and for the year ended June 30, 2010, and included an explanatory paragraph due to a going concern uncertainty.
- (2) No material weaknesses relating to the audit of the financial statements are reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Based on An Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
- (3) No instances of noncompliance material to the financial statements of Health Care Centers in Schools, Inc. were disclosed during the audit.
- (4) A management letter was not issued in connection with the current year audit.

B. Findings - financial statement audit:

- (1) None

HEALTH CARE CENTERS IN SCHOOLS, INC.
BATON ROUGE, LOUISIANA

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2009

A. Findings - financial statement audit:

(1) None